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UNCLAS MADRID 000114

SIPDIS

DEPARTMENT FOR EUR/EX AND A/OPR/ALS
TREASURY FOR TRACI PHILLIPS

E.O. 12958: N/A

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SUBJECT: MADRID PRICES CONTINUE TO RISE

11. SUMMARY. During 2004 there was a general increase in the cost of living in Madrid and the CPI rose 2.9%. The transportation and food sectors experienced the highest cost increases, whereas domestic utilities, property taxes and leisure activity prices remained relatively stable. Many of the increases in the cost of living can be attributed to measures taken by the municipal government. END SUMMARY.

12. In 2004, the cost of living in Madrid rose by 2.9%. Food prices and transportation costs rose most substantially over the past year, while domestic utility prices, property taxes and leisure activity costs increased by amounts close to the 2.9% CPI level.

FOOD PRODUCTS

13. Food product prices increased significantly in the past year. The typical food product in Madrid markets rose 17.35% during 2004. Despite this figure, prices for certain products, notably chocolate and beans, have decreased. Fish, a main component of the Spanish diet, has experienced particularly high cost increases.

TRANSPORTATION

14. One of the largest cost increases in Madrid has occurred in the transportation sector. Public transportation costs increased an average of 6% beginning in January 2005. Metro and city bus ticket prices increased more than 13% while intercity bus fares increased only marginally (about 2%). The government has yet to decide when and by how much Renfe (national rail system) fares will increase. Street parking will become significantly more expensive in 2005, with meter fees to increase up to 48%.

PROPERTY TAX

15. Property taxes on most residences will increase at the same rate as the CPI, 2.9%. Larger increases in property tax will affect the most valuable 10% of property..

DOMESTIC UTILITIES

16. Domestic utility costs remained relatively stable, or even decreased relative to the CPI measure. Electricity prices rose by 1.71% in 2004 and the cost of water increased by 2.3% (or one cent per day). The cost of natural gas remains equal to its cost a year ago. However, a small increase in gas prices is expected at the end of the quarter. Fixed line telephone rates will increase by 2%, or about .26 euro per month, beginning in February.

SPORT, LEISURE AND CULTURE

17. The cost for most sport, leisure and cultural activities remained stable throughout 2004. However, beginning in 2005, the Prado Museum doubled its entrance fees from three to six euros.

18. Comment. The cost of living in Madrid increased noticeably in 2004. This trend will most likely continue in 2005 as the Spanish economy grows. This will be compounded by inflation rates which tend to grow faster in Spain, and especially Madrid, than in the rest of Europe. Madrid is quickly becoming one of Europe's more expensive cities for Americans, even without the falling dollar.
MANZANARES